

DOR Rhode Island Department of Revenue
Division of Taxation

Via Electronic Mail

May 26, 2026

The Honorable Louis P. DiPalma
Chair, Senate Committee on Finance
Rhode Island State House
Providence, RI 02903

RE: Letter Regarding Senate Bill 2847 – An Act Relating to Taxation – State Tax Officials

Dear Chair DiPalma:

I am writing on behalf of the Rhode Island Department of Revenue, Division of Taxation (“Division”), to: i) express support for proposed Senate Bill 2847; ii) explain the background and current statutory context for this bill; and iii) request your support for this bill.

As you know, this bill would amend R.I. Gen. Laws § 44-1-7, entitled “Interest on delinquent payments,” by altering the interest rate to be applied to delinquent tax liabilities for all taxes, inclusive of trust funds, as of January 1, 2027. As drafted, the bill amends the current interest rate range of twelve percent (12%) to twenty-one percent (21%) for non-trust fund taxes and eighteen percent (18%) to twenty-one percent (21%) for trust fund taxes to not more than twelve percent (12%) for each year. The bill would also change the application of the interest rate to be based on the time of the “notification of delinquency” and not the “date of the original tax obligation” for all periods and bills after January 1, 2027. Lastly, the bill would limit the tax administrator’s authority to audit taxpayers to three (3) years from the date of filing, but for fraudulent returns, which audits cannot exceed seven (7) years – with no audit or collection permitted beyond ten (10) years of filing. The bill is set to take effect on January 1, 2027, and apply to all assessments, audits, and tax payments (including delinquent taxes), initiated on or after that date.

Senate Bill 2847 rewards noncompliance to the detriment of compliant taxpayers and in fact incentivizes taxpayers to become noncompliant because, in part, not filing timely tax returns would result in no interest being assessed. Further, if a taxpayer successfully avoids detection by the Division as the result of not filing required returns for a period of ten (10) years, then the taxpayer does not have to pay any tax, interest, or penalty for the prior periods due to the limitations in the

bill. There will be a substantial negative impact on state revenues, and compliance generally, as a result of this bill.

The State of Rhode Island’s tax system is built upon voluntary compliance and this bill threatens to destroy that foundation, which will shake the tax and revenue infrastructure. The risks associated with the bill as drafted far outweigh the purported benefits of limiting audit periods, which is not based on fact but rather erroneous assumptions.

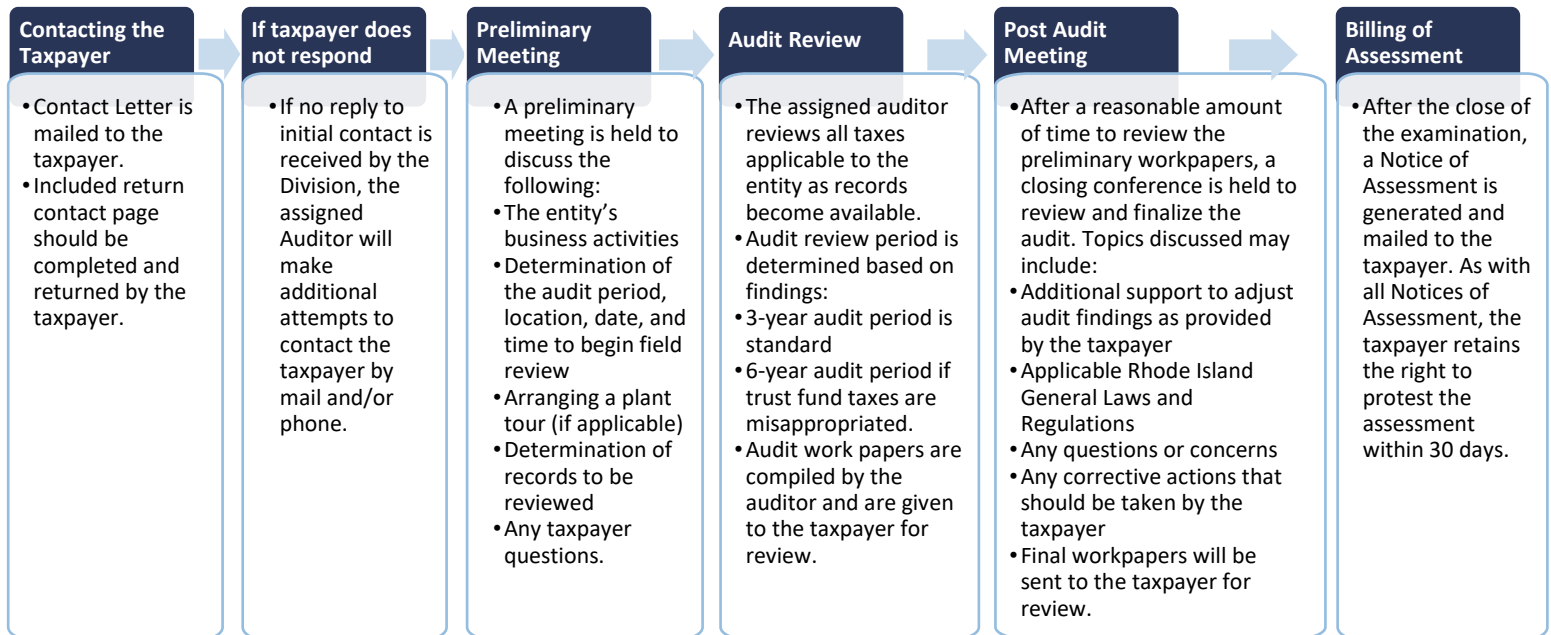
Generally, the statute of limitations for billing in Rhode Island is three (3) years from the date a taxpayer files their return. That period is extended if a taxpayer:

- Fails to file a return;
- Has an excessive underpayment of the tax due;
- Does not remit taxes collected from consumers or employees (i.e. trust fund taxes – those payments actually collected from individuals and held by the taxpayer in trust for the state and not paid by the taxpayer);
- Commits fraud.

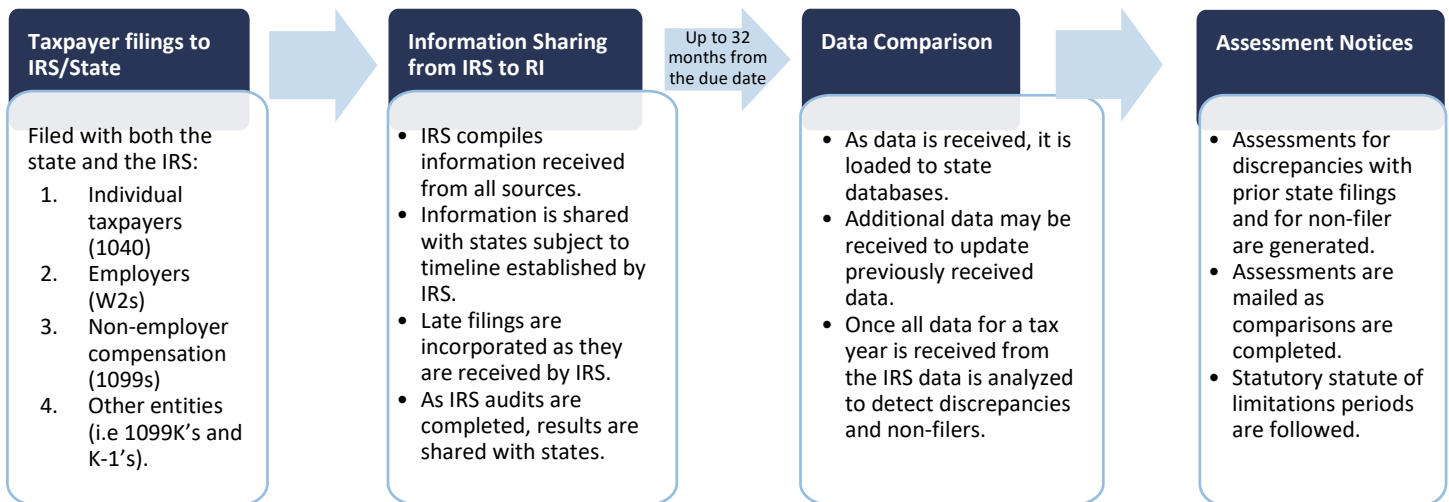
Thus, most statute of limitations periods are set by taxpayer filings and all statute of limitations periods are established in Title 44. *See* attachment hereto for specific statute of limitations statutes.

In cases where there are no filings, or additional liability is determined to be owed through contact with the Internal Revenue Service, audit contact, or additional information being presented, 3-year and 6-year audit periods are established.

For routine audits, the Division’s Audit and Investigation Unit follows the below timeline:



For IRS compliance audits, the Division receives and reviews information as available from the IRS as follows:



Thus, the purported problem the bill appears to seek to address is not an issue that needs addressing. Further, the bill will conflict with established limitations periods in other statutes within Title 44.

The Division further notes:

- Subsection (3)(i) conflicts with the statutory language establishing the interest rate as the notification of the delinquency would always occur after the delinquency is established.

Billing and Collection Timelines

Notice of Deficiency or Notice of Proposed Assessment: 30 Days to Cure

Initial Assessment

Notice of Deficiency: Results from changes to line items on tax returns, resulting in tax owed.

The taxpayer is notified in writing of change and has 30 days to respond.

Failure to respond or cure the liability results in a final assessment.

Notice of Assessment (Final Assessment): 30 Days to Cure, Right to Hearing

Formal (Final) Assessment

Sent when there is an underpayment of a tax for a period. This notice may be sent in addition to the Notice of Deficiency.

The taxpayer is notified in writing and has a right to a hearing (informal, then formal Administrative Hearing).

Failure to respond results in taxpayer foregoing right to a hearing and proceeds to Collections Section within the Division of Taxation.

Statement of Account: Minimum of Once a per Year, for All Accounts/Periods, but a Minimum of 3 Times if Change to any Account: In Collection Status

Collections

Sent when there is an assessment in the taxpayer's period, but 30-day protest period has expired.

This notice classifies the assessment as a "Collections" matter and is subject to offset from a refund.

This notice is sent 3 times at an interval of 30 days, then at least annually thereafter.

Every taxpayer is sent at least 4 notices if a liability is in collections status and is notified at least once per year thereafter of all tax liabilities.

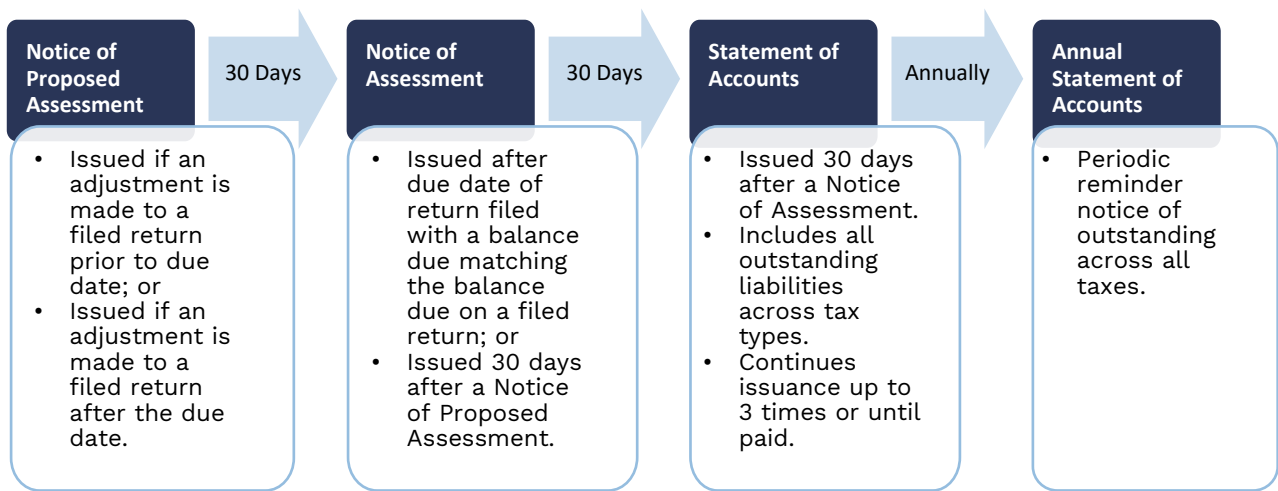
For example, if a personal income tax filer files a late tax return for Tax Year 2026 in 2028 showing that tax is owed and does not pay the tax, then the notification of delinquency would be sent in 2028 (which is when the Division would have become aware of the liability owed) and the taxpayer would have avoided interest for a substantial period.

Further, the proposed change to the audit period has the potential to create tax liability discrepancies between two taxpayers that owe the same initial balance for the same period but are subject to different interest rates based on when they are billed. This would again reward delinquent taxpayers for their failure to file.

- The limitation on audits to be three years prior to the date of filing, except in cases of fraud, ignores non-filers, late filers, and those that misappropriate trust fund taxes, which are collected from either consumers or employees and held in trust for the state. Again, this benefits delinquent taxpayers and also limits liability to three (3) years if a retailer or employer failed to pay taxes collected from consumers (sales tax, hotel tax, meals and beverage tax) or employees (withholding), essentially stealing the funds from individual taxpayers.
- There exist significant differences between audits and billing for noncompliant taxpayers. The Division of Taxation’s current audit periods are consistent with those of the IRS. This bill as written seems to incorrectly conflate audits with billing.

Further, collections procedures comply with statutory authority and the billing and collection timeline provides sufficient notice to taxpayers of existing liabilities that are known to the Division, though the Division must be aware of updated taxpayer addresses, which taxpayers have an obligation to provide. The Division provides the following notices when a liability is established:

State Tax Notices Timeline



- Limiting both audit and collections to ten years from the original filing or filing due date of the return, whichever is later, without regard for insufficient payments, payment

reversals, amendments, adjustments, non-filers, late filers, nor federal audit changes would benefit noncompliant taxpayers to the detriment of compliant taxpayers.

- Again, this would result in those taxpayers who fail to file or file late avoiding liability for periods outside of three years due to their ability to avoid detection or due to their late filings.
 - This proposed change also introduces the possibility that taxpayers could avoid tax liabilities, and interest and penalties on them, by moving frequently and failing to inform the Division of their new address. Such a situation could make collection of taxes owed to the state impossible.
- As a technical matter, the language for the interest rate reduction does not align with the prior interest rate provisions. If the interest rate is reduced to 12%, for the language to mirror the language for the prior interest rate provisions, the “or” should be “and” in proposed subsection (3), but without the ceiling; as a result, the language should be:

“On and after January 1, 2027, the rate of interest shall be twelve percent (12%) per annum.”

- This bill as written is not consistent with other statutory provisions in Title 44. Redrafting the bill to ensure that consistency with other provisions in Title 44 will ensure there are no unintended consequences that result from this proposal. A detailed review of the interplay between the proposed amendments and other statutory provisions in Title 44 as they relate to interest assessments should be undertaken.

As noted previously, the Division is concerned with the issues of clarity, tax compliance, and tax administration. The impacts of this bill as it is currently drafted will be severe and are unnecessary given the current statutory framework.

I look forward to working with you to address the issues raised in this letter and appreciate your consideration.

Very truly yours,



Neena S. Savage
Tax Administrator

Enc.

cc: The Honorable Members of the Senate Committee on Finance
(via: SenateFinance@rilegislature.gov)
The Honorable Brian J. Thompson (via: sen-thompson@rilegislature.gov)
Kristen Silvia, Deputy Chief of Staff/Director of Legislation
Jane E. Cole, Interim Director, Department of Revenue

Tax Type/Process	R.I. Gen Laws	Statute of Limitation on Assessment Rhode Island	Statute of Limitation on Assessment IRS
Sales, Use, Local Meals & Beverage, Hotel	R.I. Gen. Laws § 44-19-13(a)	<p>3 years for non-Trust Funds, 6 years for Trust Funds</p> <p>Three (3) years after the fifteenth (15th) day of the calendar month following the month for which the amount is proposed to be due or within three (3) years after the return is filed, whichever is later. A longer period can be agreed on by the parties. If trust funds are found during an audit, three (3) years are added to the beginning of the original audit period. This is communicated to the taxpayer usually immediately upon the finding, due to the review of additional records required</p>	N/A
Litter Control, Hard to Dispose, Beverage Container	R.I. Gen. Laws § 44-44-18	<p>3 years</p> <p>Three (3) years from the date the taxes first became due.</p>	N/A
Personal Income, Withholding	R.I. Gen. Laws § 44-30-83(a), 44-30-83(c)	<p>3 years (6 years for owed Amt > 25%)</p> <p>Three (3) years after the return was filed. The statute of limitations may be extended to six (6) years after the return is filed if the individual omits an amount that should have been included which is in excess of twenty five percent (25%) of the amount of Rhode Island income stated in the return.</p>	3 years (6 years for owed Amt > 25%)
Business Corp	R.I. Gen. Laws § 44-11-7.1(a), 44-11-7.1(c).	<p>3 years (6 years for owed Amt > 25%)</p> <p>Three (3) years after the return was filed. The statute of limitations may be extended to six (6) years after the return is filed if the individual omits an amount that should have been included which is in excess of twenty five percent (25%) of the amount of Rhode Island income stated in the return.</p>	3 years (6 years for owed Amt > 25%)
Motor Fuel	R.I. Gen. Laws § 31-36-9(3)	<p>3 years</p> <p>Three (3) years after the twenty-fifth (25th) day of the calendar month following the month for which the amount is proposed to be determined or within three (3) years after the return is filed, whichever is later. A longer period can be agreed on by the parties.</p>	N/A
Estate Tax	R.I. Gen. Laws § 44-23-9	<p>10 years</p> <p>(b) Notwithstanding the provisions of subsection (a) of this section, under no circumstances shall the tax administrator issue any notice of deficiency determination for the amount of the estate tax due more than ten (10) years after the return was filed or should have been filed, nor shall the tax administrator commence any collection action for any estate tax due and payable unless the collection action is commenced within ten (10) years after the date a notice of deficiency determination became a final collectible assessment. "Collection action" refers to any activity undertaken by the division of taxation to collect on any state tax liabilities that are final, due, and payable under Rhode Island law. "Collection action" may include, but is not limited to, any civil action involving a liability owed under chapters 22 and 23 of title 44.</p> <p>The ten-year (10) limitation shall not apply to the renewal or continuation of the state's attempt to collect a liability that became final, due, and payable within the ten-year (10) limitation periods set forth in this section.</p>	3 years (6 years for owed Amt > 25%)
Non-Filers or Fraudulent Filings	R.I. Gen. Laws §§ 44-19-13(a), 44-11-7.1(b)(1), 44-30-83(b)(1), 44-44-18, 31-36-9(3).	<p>No Statute of Limitations</p> <p>The Statute of Limitations does not exist nor is there a need for the Waiver of the Statute of Limitations and may result in a six-year audit period</p>	No Statute of Limitations
Liabilities in Collection for Sales, PIT, Corp, Estate	R.I. Gen. Laws §§ 44-19-13(b), 44-11-7.1(e), 44-30-83(e), 44-23-9(b).	<p>Bill within 10 years</p> <p>Limit the issuance of a Notice of Deficiency to within 10 years after the return was filed or due to be filed and limit collections activity to within 10 years after the Notice of Deficiency becomes collectible.</p> <p>"in Collection" are those liabilities in which after numerous notices, 30 days have passed, no hearing has been requested or the administrative hearing appeals have been exhausted.</p>	N/A